



# **GEORGIA'S POLITICAL FINANCE IN 2022:**

**REVENUES AND EXPENDITURES OF POLITICAL  
PARTIES AND FINANCIAL OVERSIGHT**

Author  
**Gigi Chikhladze**

June 2023

This report was made possible by the support of the American people through the United States Agency for International Development (USAID). The opinions expressed in the report belong to Transparency International Georgia and may not reflect the views of the USAID or the United States Government.



# CONTENTS

|                                                                  |    |
|------------------------------------------------------------------|----|
| <b>I. Main Findings</b>                                          | 4  |
| <b>II. Recommendations</b>                                       | 6  |
| <b>III. Introduction</b>                                         | 7  |
| <b>IV. Changes to the Legislation on Political Finance</b>       | 9  |
| <b>V. Revenues of Political Parties</b>                          | 11 |
| 1. Regulatory framework                                          | 11 |
| 1.1. Public funding                                              | 11 |
| 1.2. Private funding                                             | 11 |
| 2. Revenues Received by Political Parties: Overview and Analysis | 12 |
| 2.1. Public funding                                              | 15 |
| 2.1.1. Gender-based supplemental funding                         | 17 |
| 2.2. Donations                                                   | 17 |
| 2.2.1. Donations containing a high risk of political corruption  | 19 |
| 2.2.2. Risks related to donating through other persons           | 21 |
| 2.3. Bank loans                                                  | 23 |
| 2.4. Other monetary revenues                                     | 23 |
| <b>VI. Expenditures of Political Parties</b>                     | 25 |
| 1. Regulatory framework                                          | 25 |
| 2. Overview of expenditures of political parties                 | 25 |
| 2.1. Salaries                                                    | 27 |
| 2.2. Expenditures on rent, office and advertising                | 29 |
| 2.3. Other expenditures                                          | 31 |
| <b>VII. Transparency and Oversight of Political Finance</b>      | 33 |
| 1. Regulatory framework                                          | 33 |
| 2. Supervisory activities of the State Audit Office              | 33 |

# I. MAIN FINDINGS

As a result of analysis of financial declarations of 2022 submitted by 16 political parties, Transparency International Georgia (TI Georgia) has arrived at the following main findings:

## Revenues and expenditures of political parties

- The 16 political parties studied received total revenues of GEL **16,927,785** (budget funding, donations, bank loans) and incurred expenditures of GEL **16,047,245**, which is 2.5 times less compared to the election year of 2021; **37%** of the total revenues of all the parties (GEL 6,191,423) went to the **Georgian Dream** and **39%** of the expenditures (GEL 6,281,984) were incurred by the same party.
- **76%** of the total revenues received by the political parties (GEL 12,925,153) came from public funding, and **24%** (GEL 4,002,632) came from private sources (donations, bank loans). **More than 90% of the revenues of 8 of the 16 parties was received from the State Budget.**
- Only 8 of the 16 parties received donations (2 of these – less than GEL 1,000). The parties received donations of GEL **2,656,066** in total, **39%** of which (GEL 1,036,000) went to the Georgian Dream.

## Problematic trends

- **Facts of obtaining multi-million lari public procurement contracts (tenders, direct procurements) by donors of the ruling party** are still a problem that gives rise to doubts about corrupt deals.
- Another problem concerns possible **third-party donations**, when the source of the donated amount is not the donor but rather another natural or legal person. Such an act is prohibited by the legislation.
- The financial inequality between the ruling party and the other parties is still substantial. The dependence of the parties on large donors is problematic. **Approximately 50% of the amounts received by all the parties** came from a small number of **large donors**.
- Yet another problem is the legislative change on the basis of which the budget funding of Lelo and the Labor Party was terminated (on the ground of their members' leaving the Parliament). **As a result of the change, the total revenue of the Labor Party decreased by 75% in comparison to the previous year.**
- As a result of a legislative change, from September 1, 2023, the monitoring of the financial activities of political parties will be carried out by the newly created Anti-Corruption Bureau instead of the State Audit Office. Giving the anti-corruption functions envisaged by the Law on the Anti-Corruption Bureau to one institution should be welcomed and is in compliance with international practice, although **the centralized model works only in the event of granting this institution real independence and investigative powers.**
- The legislative change that **halved the ceiling of the total expenditures to be incurred by a party during a year and decreased it from 0.1% of the country's GDP of the previous year to 0.05% of this figure** – although it is still **inadequately high** – is not going to have a desired effect. No party in Georgia has ever reached this limit.

## Cases of alleged corruption

- **Gza LLC**, which is connected with two donors of the Georgian Dream (they donated **GEL 40,000** to the Georgian Dream in 2022), **won 12 tenders with a total value of GEL 118 million** in the period from January 1, 2022, to December 1, 2023. This company has won tenders worth GEL 245 million since 2011, while persons connected with it have donated GEL 220,000 to the ruling party.
- **Donations given to the Georgian Dream** by Joni Jincharadze and Marina Dekhtiarevi (GEL 40,000 in total) contained high risks of corruption. **Seventeen days after the donation was made**, the **Khelvachauri City Council** unanimously approved a Detailed Development Plan (DDP) for a company connected with them (whose **owners are citizens of the Russian Federation**) which plans to construct a residential complex on an area of 16,000 sq. m on Salibauri hill **near Batumi**.
- Seven individuals directly or indirectly linked with **Bidzina Ivanishvili** donated GEL 250,000 in total to the Georgian Dream in 2022. The same individuals have donated more than GEL 1.8 million to the ruling party since 2011.
- Among the donors, there are several small groups that have donated money to the ruling party **on the same day or one or two days apart** and, as a rule, are connected with one another in various ways (business, kinship). **These circumstances give rise to doubts about whether this collective action was organized by someone in advance and whether the donations were made by other persons.**

## II. RECOMMENDATIONS

- The Anti-Corruption Bureau should be equipped with relevant investigative powers. To ensure political neutrality, the head of the Bureau should be appointed by the Parliament; opposition parties should also take part in the appointment.
- It is necessary that the Anti-Corruption Agency of the State Security Service study the fact of obtaining the permit for the construction planned on Salibauri hill by H Group Development by an allegedly corrupt method.
- The Anti-Corruption Agency of the State Security Service should study the links between the donations made by the ruling party's donors and large public procurement contracts obtained by them, in order to rule out a possible corrupt deal.
- A political party should not lose public funding, which it is entitled to, regardless of whether it uses its parliamentary mandates. Public funding should depend on electoral support a party gets rather than its parliamentary activities.
- Those political parties that receive a gender-based supplemental funding from the State Budget should fully comply with the rule of filling out the declarations and indicate the amount received in the appropriate field.
- The State Audit Office should add a separate form to the annual financial declaration template where parties will be able to indicate the specific origin of the amount (if any) in the "other monetary revenues" category.
- Political parties should do more to raise donations through events and campaigns. In such a case, parties are usually less reliant on a handful of key donors, and the risk of possible corrupt deals is also smaller.

### III. INTRODUCTION

Competitive and fair elections are one of the cornerstones of democratic states. The competitiveness of political parties is largely determined by their financial resources. Georgia's electoral history shows that the political group in power has always had far greater financial resources than its rivals, creating an unequal electoral environment. Besides, political money is always accompanied by risks of corruption, so transparency of finance and its effective oversight are important conditions for political competition to be fair and voter-oriented. TI Georgia has been studying and periodically publishing reports on political party finance for years now.

This time, TI Georgia presents a study that analyzes Georgia's political finance in 2022. No election was held in the country in this year, which also reflected on the finance of the parties. In non-election years, the share of private donations in the revenues of parties decreases, and the parties' dependence on budget funding is high. And among the expenditures, we should note the increase in the share of such expenses as salaries and rent expenses.

Until February 1 of each year, political parties are required to submit annual financial declarations of the previous year to the State Audit Office (SAO). These declarations are published on the website of the SAO.<sup>1</sup> A large part of the present study is an analysis of the said financial declarations; therefore, the reporting period includes the time interval from 1 January 2022 through 31 December 2022. Information from other years was also used periodically to analyze various data and trends.

For the study, we selected those political parties that were either qualified parties<sup>2</sup> as of 2022 or raised a revenue of at least GEL 100,000 in the same year. These criteria were met by the following 16 political parties: *Georgian Dream – Democratic Georgia (Georgian Dream)*, *United National Movement (UNM)*, *Movement State for the People (State for the People)*, *Conservative Movement*, *Republican Party of Georgia (Republicans)*, *European Democrats of Georgia (European Democrats)*, *Giorgi Vashadze – Strategy Aghmashenebeli (Strategy Aghmashenebeli)*, *Law and Justice*, *European Georgia – Movement for Liberty (European Georgia)*, *Alliance of Patriots of Georgia (Alliance of Patriots)*, *New Political Center – Girchi (Girchi)*, *Aleko Elisashvili – Citizens (Citizens)*, *Lelo for Georgia (Lelo)*, *Conservative Party of Georgia (Conservative Party)*, *Labor Party of Georgia (Labor Party)*, *Progress and Freedom*.

In addition to the annual financial declarations of political parties, we have used the SAO's Register of Cases of Administrative Offences for the study.<sup>3</sup> To ascertain the business connections of the donors of the parties and their interests in public procurements, we have used the websites of TI Georgia – [www.politicaldonations.ge](http://www.politicaldonations.ge), [www.tendermonitor.ge](http://www.tendermonitor.ge), [www.companyinfo.ge](http://www.companyinfo.ge), the website of the State Procurement Agency [www.procurement.gov.ge](http://www.procurement.gov.ge), and other open sources.

The report was prepared on the basis of analysis of legislation, as well as qualitative and quantitative analysis of statistical data. Some parts of the research were taken from previous reports of TI Georgia on political finance.

---

1 <https://monitoring.sao.ge>

2 A political party that has obtained the right to receive public funding on the basis of the results of the previous parliamentary elections.

3 The Register of Cases of Administrative Offences maintained in 2022 by the Service of Financial Monitoring of Political Parties: <https://bit.ly/3qt7WzI>

At the beginning of the study, we give a brief overview of the general legal framework that regulates the issues of political party finance in Georgia and of legislative novelties that took place in 2022. The next sections of the report present a quantitative and qualitative analysis of the revenues received and expenditures incurred by the aforementioned 16 political parties.<sup>4</sup> The section on revenues puts an emphasis on both public and private funding. The section also presents donations received by the political parties in 2022 and related cases containing risks of political corruption. The section on expenditures provides an overview of data officially declared by the parties. And the last section deals with the issue of financial transparency and oversight.

---

4 The information about the revenues and expenditures of the parties was mainly taken from the declarations filled out by the parties. For this reason, TI Georgia is not responsible for the accuracy of all the data. Besides, the figures were mainly calculated according to cash revenues and expenditures. Exceptions are bank loans and in-kind donations, which are included in the parties' actual revenues.

## IV. CHANGES TO THE LEGISLATION ON POLITICAL FINANCE

The main legal grounds for regulating the political finance in Georgia are determined by the Organic Law on Political Associations of Citizens and the Election Code, as well as by the Law on the State Audit Office, the General Administrative Code, the Code of Administrative Offences, and the Order of the Auditor General of the State Audit Office.<sup>5</sup>

At the end of 2022, the system of monitoring of political parties underwent substantial changes. The Anti-Corruption Bureau was created, which was supposed to have only coordinatory powers according to the initial version, although, at the stage of consideration of the draft law, various other important functions, including the monitoring of financial activities of political parties, were added. Giving the anti-corruption functions envisaged by the Law on the Anti-Corruption Bureau to one institution should be welcomed and is in compliance with international practice,<sup>6</sup> although **the centralized model works only in the event of granting this institution real independence and relevant (investigative) powers.**<sup>7</sup>

In this regard, the Law on the Anti-Corruption Bureau is flawed, because it does not grant investigative powers to the Bureau. The function of investigation of corruption crimes still remains under the State Security Service and the Prosecutor's Office. The procedure of appointment of the head of the Bureau is also problematic. Appointment of the head of the Bureau by the Prime Minister cannot ensure the real independence of this institution. The aforementioned changes are planned to take effect from September 1, 2023.<sup>8</sup>

In December last year, a change to the Organic Law on Political Associations of Citizens took effect which **halves the ceiling of the total amount of expenditures to be incurred by a party during a year.**<sup>9</sup> Instead of 0.1% of the country's GDP of the previous year, the limit decreased to 0.05%. According to the figures of 2023, this means that the ceiling of a party's annual expenditures will be about GEL 36 million. Despite being halved, this limit is still inadequately high. No party in Georgia has ever reached this limit. Accordingly, this limit is formal and does not have a real effect.

From March 1, 2022, a law according to which a political party is deprived of the right to receive funding from the State Budget if half or more than half of members of the Parliament of Georgia elected from this party have their powers as MPs terminated came into force. On the basis of the aforementioned legislative changes, **two parties - the Labor Party of Georgia and Lelo for Georgia - lost the right to receive public funding from March 1, 2022.**

---

5 Order No. 012036/21 of the Auditor General of the State Audit Office of 5 August 2021 on the Regulation of Certain Issues Related to the Transparency of Political Finance, <https://shorturl.at/aceO2>

6 For years now, TI Georgia has been supporting the creation of an anti-corruption agency that will have relevant powers and independence. For details, see: *A new legislative initiative, if supported, to greatly improve anti-corruption capacity of Georgia*, TI Georgia, 01.09.2020, <https://shorturl.at/dhkwL>

7 See the evaluation of the law in detail: *Evaluation of the Law on the Anti-Corruption Bureau*, TI Georgia, 5.12.2022, <https://shorturl.at/gmzEG>

8 See the evaluation of the law in detail: *Evaluation of the Law on the Anti-Corruption Bureau*, TI Georgia, 5.12.2022, <https://shorturl.at/gmzEG>

9 Paragraph 1 of Article 25<sup>1</sup> and Article 39<sup>3</sup> of the Organic Law on Political Associations of Citizens.

The aforementioned changes were criticized sharply by the Venice Commission and the OSCE/ODIHR when they were still draft laws;<sup>10</sup> the opinion of the OSCE/ODIHR was also preceded by critical evaluations of a number of non-governmental organizations, including TI Georgia.<sup>11</sup>

### Recommendations

The Anti-Corruption Bureau should be equipped with relevant investigative powers. To ensure political neutrality, opposition parties should also take part in the appointment of the head of the Bureau.

A political party should not lose public funding, which it is entitled to, regardless of whether it uses its parliamentary mandates. Public funding should depend on electoral support a party gets rather than its parliamentary activities.

---

10 ON AMENDMENTS TO THE ELECTION CODE, THE LAW ON POLITICAL ASSOCIATIONS OF CITIZENS AND THE RULES OF PROCEDURE OF THE PARLIAMENT OF GEORGIA, EUROPEAN COMMISSION FOR DEMOCRACY THROUGH LAW (VENICE COMMISSION) and OSCE OFFICE FOR DEMOCRATIC INSTITUTIONS AND HUMAN RIGHTS (OSCE/ODIHR), JOINT OPINION, CDL-AD(2021)008, Strasbourg, 20 March 2021, <https://bit.ly/3NewEN4>

11 *Changes in election and political party legislation do not meet democratic standards*, TI Georgia, December 28, 2020, <https://shorturl.at/apr17>

# V. REVENUES OF POLITICAL PARTIES

## 1. REGULATORY FRAMEWORK

According to the Georgian legislation, political parties are allowed to receive revenues from the following sources: 1. public funding; 2. membership fees; 3. donations; 4. annual income generated from designing and distributing symbols, organizing lectures, exhibitions and other public activities, as well as from publishing and other activities pursued according to statutory objectives; 5. bank loans.

### 1.1. PUBLIC FUNDING

As noted above, one of the sources of a political party's funding may be funds received from the State. The amount and recipients of public funding are determined by the Organic Law on Political Associations of Citizens. The law establishes the following ways of receiving funding from the State:

- **Direct monetary contributions from the State Budget**

A political party registered with the Central Election Commission is eligible for public funding if it participated in the latest parliamentary elections and received at least 1% of the votes. The amount of funding is set at GEL 15 for each vote received as part of the first 50,000 actual votes, and GEL 5 for each subsequent actual vote received.<sup>12</sup>

- **Gender-based supplemental funding**

A party funded from the State Budget will receive an additional 30% of its public funding if one of each three candidates on the party list submitted in the last parliamentary elections was of the opposite sex.

- **Free advertisement time**

In addition to direct budget funding, the law also provides for indirect funding of a political party. During the election campaign, the national broadcasters are obligated to allocate at least 7.5 minutes in every 3 hours free of charge for advertisements of qualified political parties, which should be distributed equally and without discrimination. The Georgian Public Broadcaster is required to allocate 5 minutes per hour for the same purpose.

Political parties are prohibited from receiving other kinds of public funding or in-kind public contributions that do not fall into the categories described above.

### 1.2. PRIVATE FUNDING

In addition to public funding, political parties have the right to raise funds from private sources. According to the Georgian legislation, the largest categories of private funding are as follows:

- **Membership fees**

The ceiling of the annual amount of membership fees is GEL 1,200.

---

<sup>12</sup> Paragraph 3 of Article 30 of the Organic Law on Political Associations of Citizens.

- **Donations**

Donations are defined as follows:

- Money deposited on the account of a political party by a natural or legal person;
- Material or in-kind donation (including a preferential loan) or service (except for work performed through volunteering) secured by a party free of charge or on discount/preferential terms from a natural or legal person.

The law imposes qualitative as well as quantitative restrictions on donations:

- A natural person who donates must be a citizen of Georgia;
- A donating legal person must be registered in the territory of Georgia, while its partners and end beneficiaries must be citizens of Georgia;
- A donor cannot be a legal person which in the last calendar year or until the polling day of the election year has received 15% or more of its actual income from simplified state procurements;
- Donations received by a party from a single natural person should not exceed GEL 60,000 per year, while donations from a single legal entity should not exceed GEL 120,000 per year.

Furthermore, it is forbidden to receive donations from:

- Natural and legal persons of other countries, international organizations and movements;
- State agencies, state organizations, legal persons of public law, societies with state stock ownership;
- Non-commercial legal entities and religious organizations;
- In an anonymous form.

- **Bank loans**

A political party also has the right to take a credit of up to GEL 1 million in total during a calendar year only from a commercial bank of Georgia.

## **2. REVENUES RECEIVED BY POLITICAL PARTIES: OVERVIEW AND ANALYSIS**

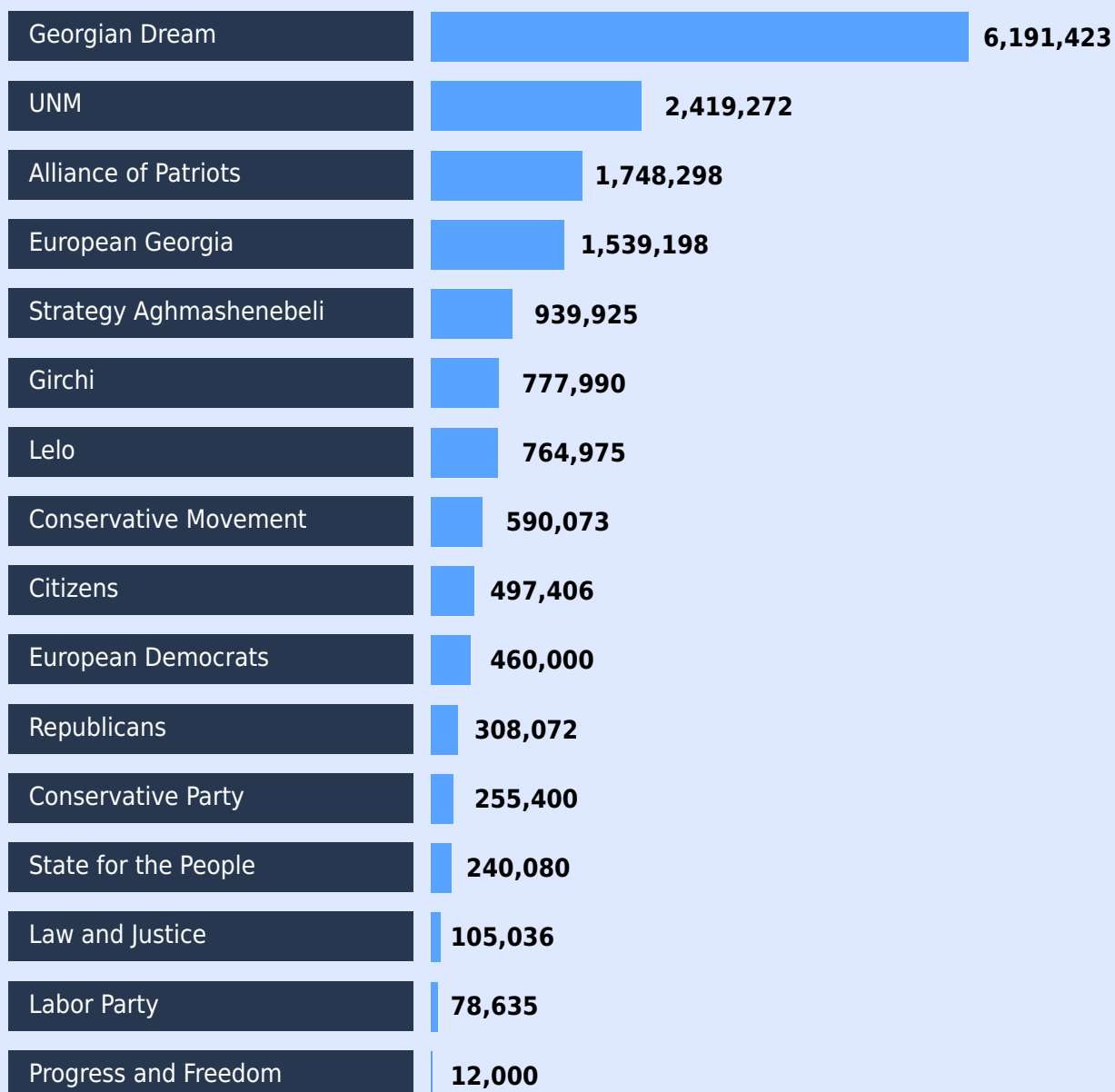
As already noted, the study analyzed the financial declarations of those political parties that had the status of “qualified” parties or had received a revenue of GEL 100,000 or more during 2022.

In 2022, the 16 political parties studied received revenues of GEL **16,927,785** in total, which is 2.5 times less than the revenues received by the parties in 2021.<sup>13</sup> Almost 40% of the total revenues – GEL 6,191,423 – went to the ruling Georgian Dream – Democratic Georgia party. The UNM ranked second with GEL 2,419,272, and the Alliance of Patriots ranked third with GEL 1,748,298 (see **Figure 1**).

---

13 The year 2021 was an election year, and the parties received a revenue of more than GEL 43 million total.

**Figure 1. Total revenues received by political parties in 2022, GEL**

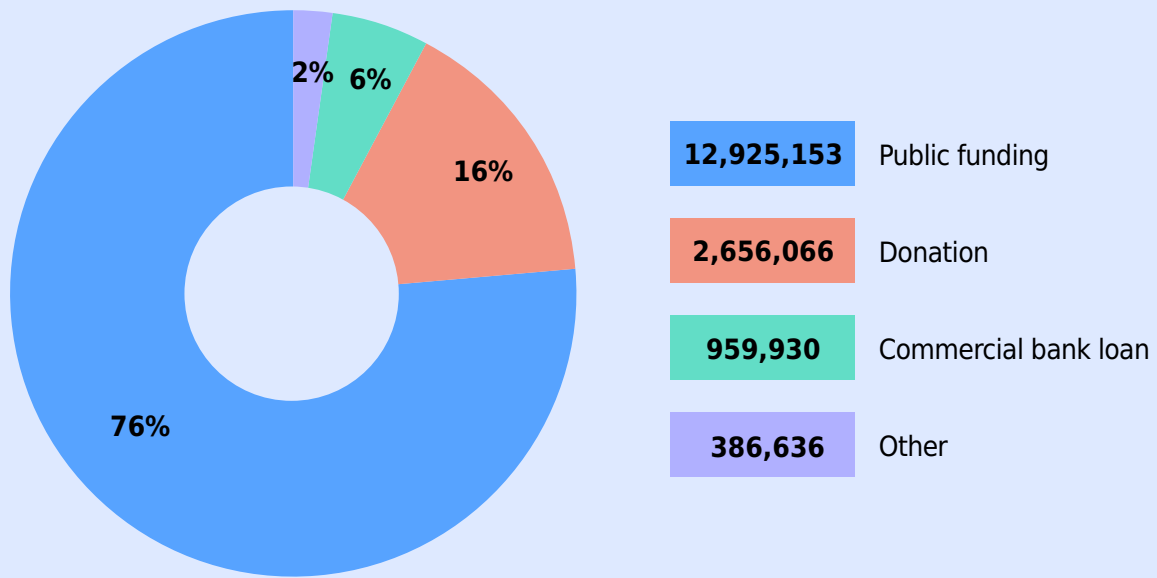


**Source:** Annual financial declarations submitted by political parties to the State Audit Office

In 2022, **76%** of the total revenues received by the political parties (GEL 12,925,153) came from public funding, **16%** (GEL 2,656,066) – from donations, and **8%** – from other types of income, including loans from commercial banks (see **Figure 2**). As a rule, the share of private donations in the parties' revenues is far greater in election years.<sup>14</sup>

<sup>14</sup> For example, in 2020 the share of private donations amounted to 77%. For details, see *Georgia's Political Finance in 2020: Revenues and Expenditures of Political Parties and Financial Oversight*, TI Georgia, pp. 17-18, <https://shorturl.at/fwDU7>

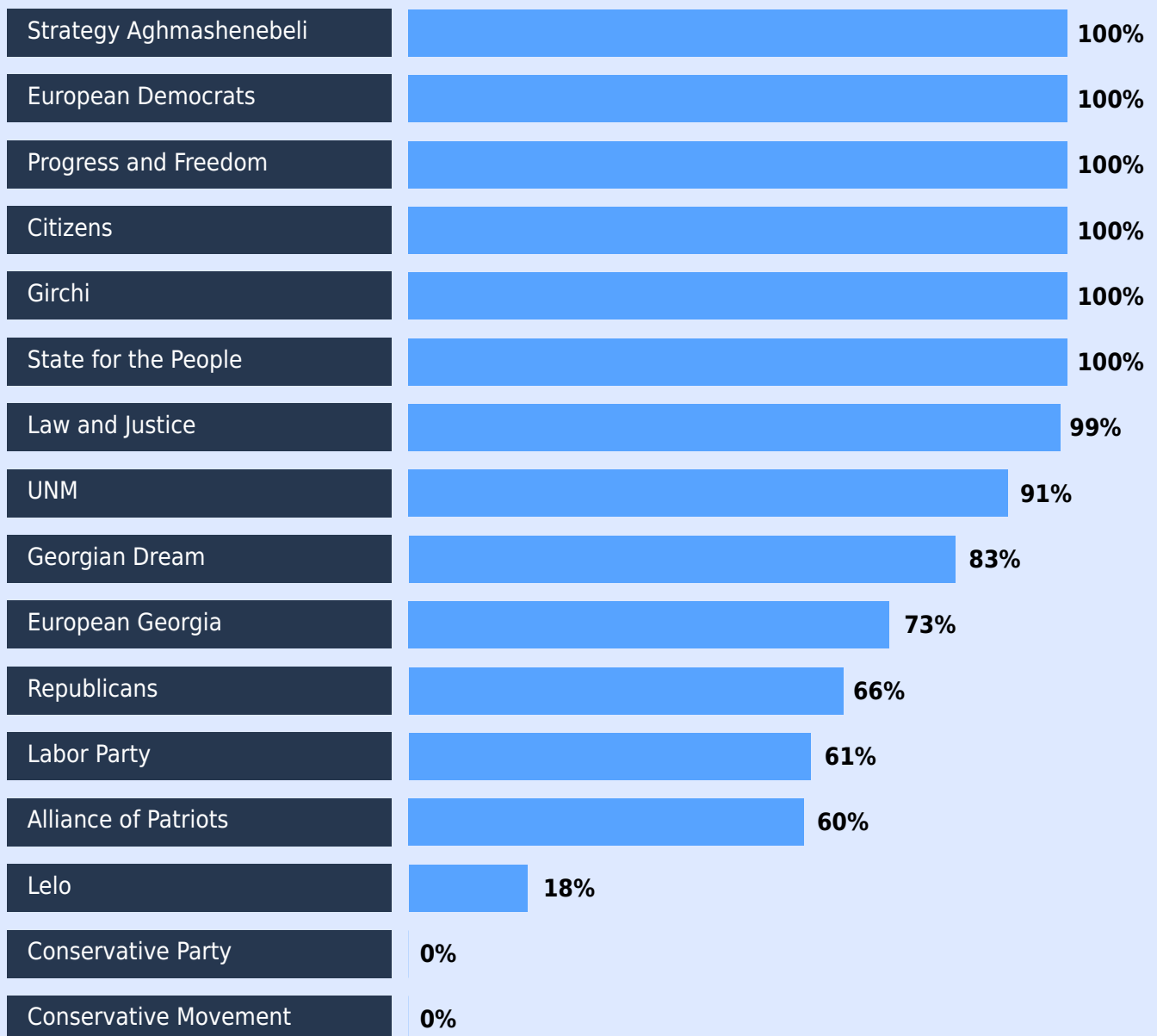
**Figure 2. Total revenues received by political parties in 2022  
according to sources, GEL, %**



**Source:** Annual financial declarations submitted by political parties to the State Audit Office

In 2022, budget funding was the main source of income for the majority of the parties (see **Figure 3**).

**Figure 3. Share of public funding in the total revenues of political parties in 2022**

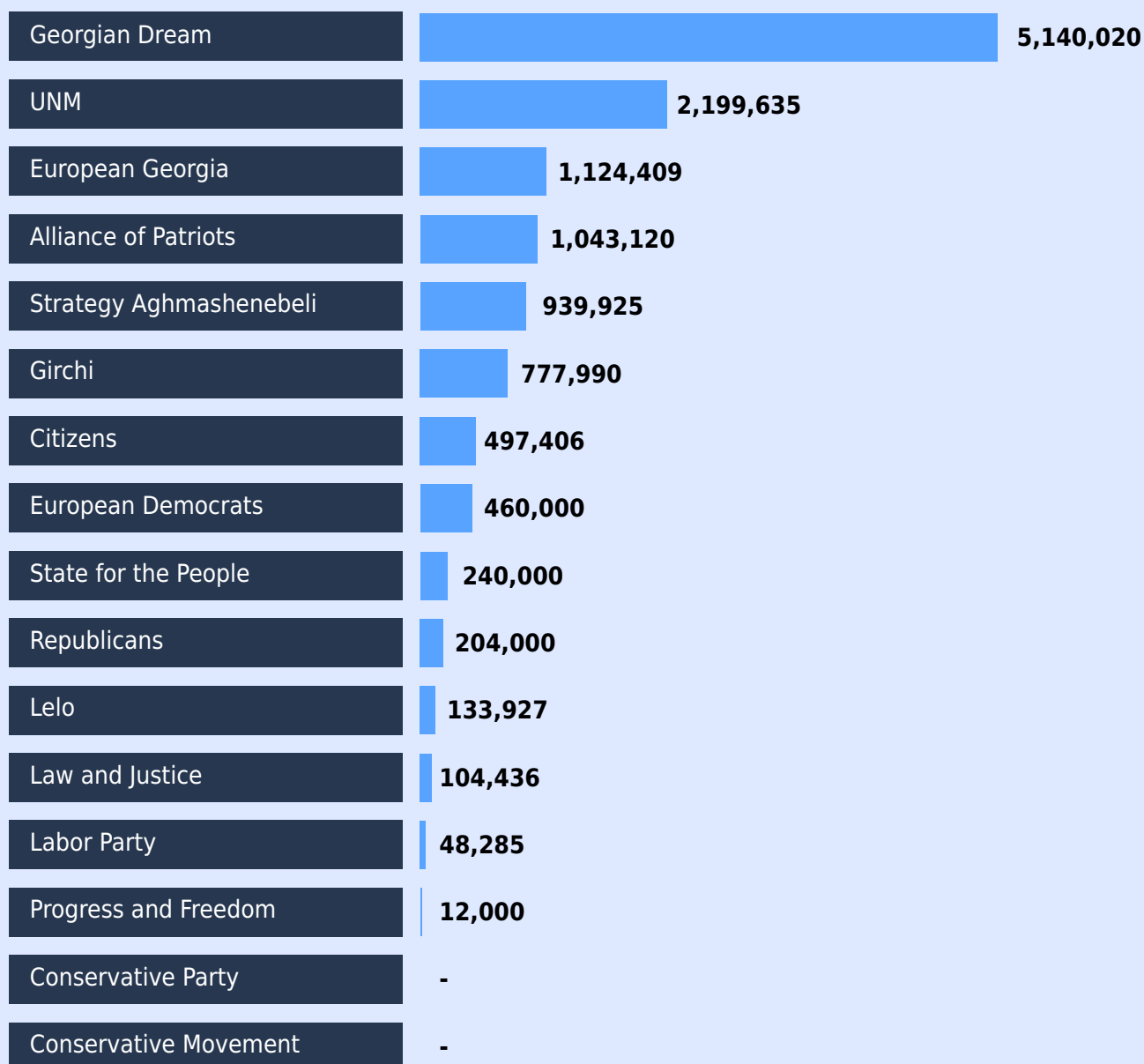


**Source:** Annual financial declarations submitted by political parties to the State Audit Office

## 2.1. PUBLIC FUNDING

As already mentioned, public funding amounted to **76%** (GEL 12,925,153) of the revenues of political parties during 2022. Of this, the ruling Georgian Dream – Democratic Georgia party traditionally received the largest amount – GEL 5,140,020 (**40%** of the total public funding), followed by the UNM (GEL 2,199,635) and European Georgia – Movement for Liberty (GEL 1,124,409) (see **Figure 4**).

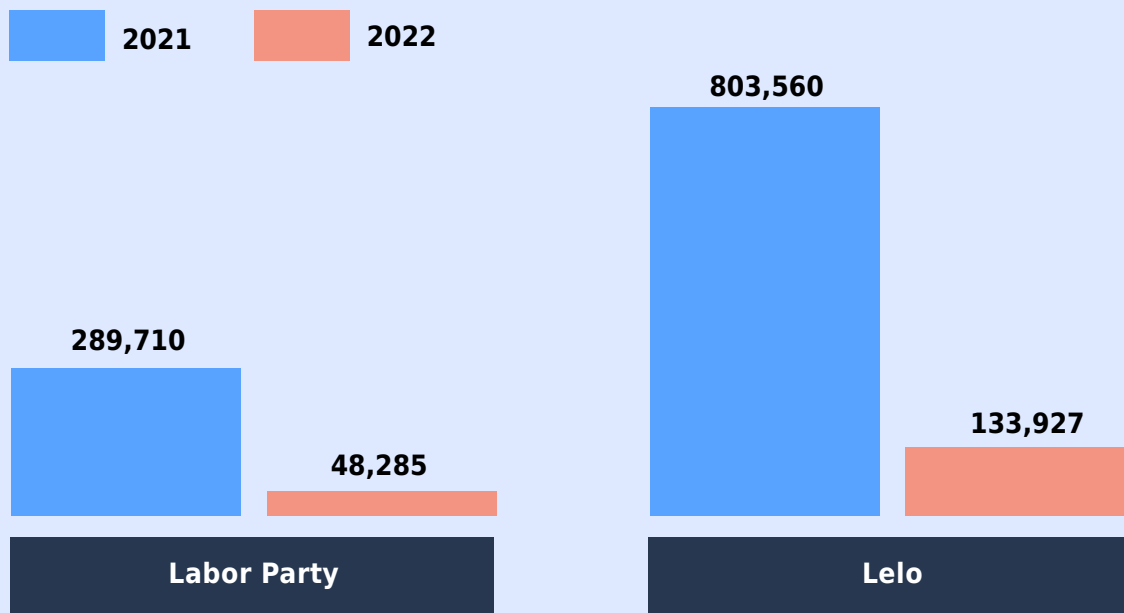
**Figure 4. Public funding received by political parties in 2022, GEL**



**Source:** Annual financial declarations submitted by political parties to the State Audit Office

As we noted in Section IV, Lelo and the Labor Party had the public funding terminated for unsubstantiated reasons from March 1, 2022, as a result of which they only received a small part of the public funding they were to receive in 2022 (see **Figure 5**). This is an especially hard blow to the finance of the Labor Party, 94% of whose total revenues in 2021 had consisted of budget funding. As a result, **the total revenues of the party decreased by 75% in comparison to 2021** (from GEL 310,000 to GEL 79,000).

**Figure 5. Public funding of the Labor Party and Lelo in 2021 and 2022, GEL**



**Source:** Annual financial declarations submitted by political parties to the State Audit Office

### 2.1.1. Gender-based supplemental funding

At the time of the 2020 parliamentary elections, the following 5 of the 16 political parties received the gender-based supplemental funding: Giorgi Vashadze – Strategy Aghmashenebeli, Law and Justice, European Georgia – Movement for Liberty, Alliance of Patriots of Georgia, and Aleko Elisashvili – Citizens.

These parties also received this amount (GEL 1,096,999 in total) in 2022, although, from the 5 parties, only European Georgia indicated the amount of this funding (GEL 259,479) in the appropriate separate field of the financial declaration, while the rest of the parties only indicated these amounts as part of the total public funding.

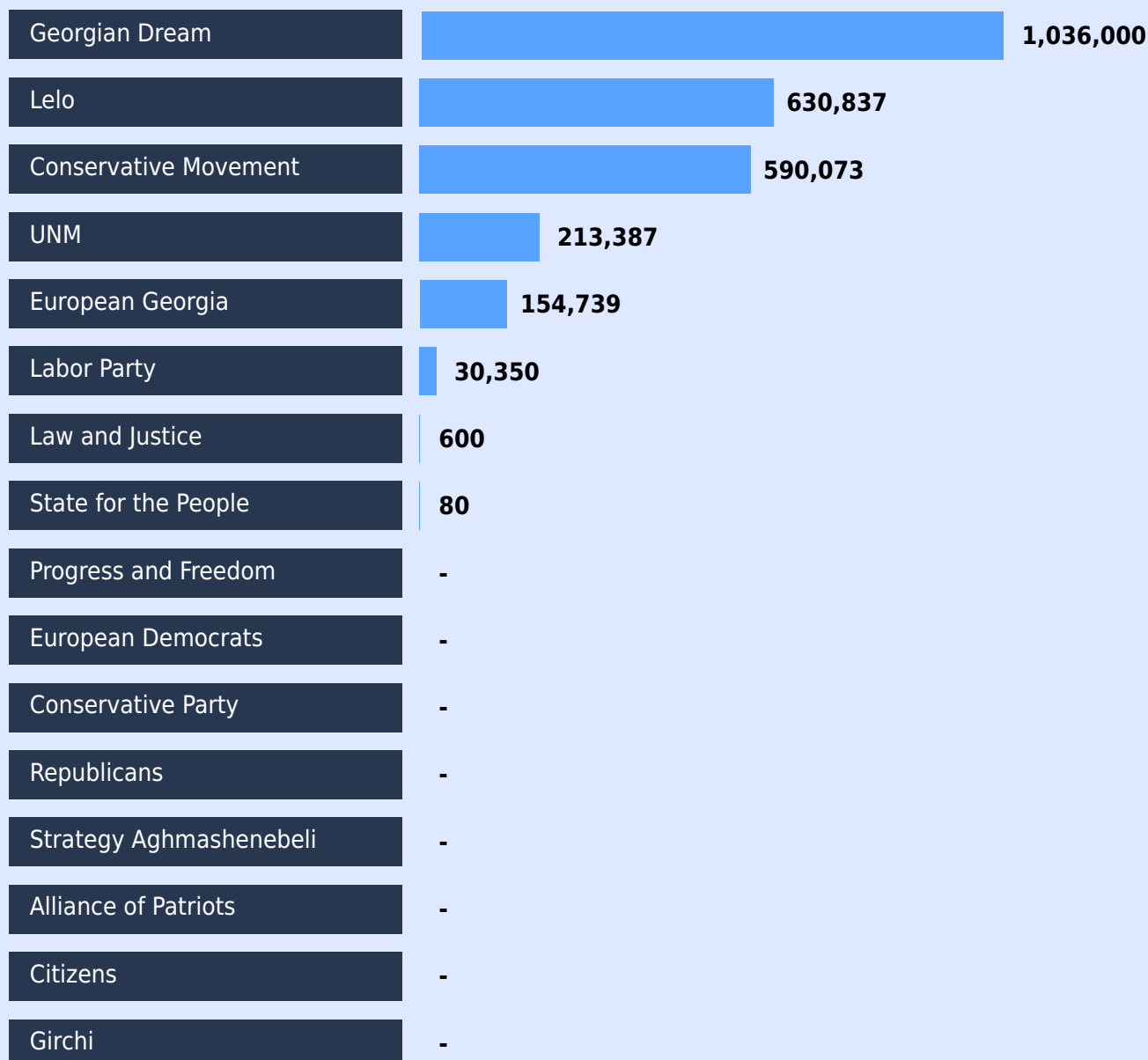
### Recommendation

Those political parties that receive a gender-based supplemental funding from the State Budget should fully comply with the rule of filling out the declarations and indicate the amount received in the appropriate field.

## 2.2. DONATIONS

In 2022, the 16 parties studied received monetary and in-kind donations of GEL **2,656,066** in total, **39%** of which (GEL **1,036,000**) went to the Georgian Dream – Democratic Georgia. Lelo ranked second with GEL 630,837, while the Conservative Movement (Alt-Info) ranked third with GEL 590,073 (see **Figure 6**).

**Figure 6. Donations received by political parties in 2022, GEL**



**Source:** Annual financial declarations submitted by political parties to the State Audit Office

Almost **100%** of the total donations received by the parties in 2022 were made by natural persons. Only **3%** of the donors to the Georgian political parties contributed more than the average annual nominal salary in Georgia in 2022 (approximately GEL 19,101<sup>15</sup>). However, about **50%** of the amounts received by all the parties came from such a small number of large donors (35 donors altogether).

15 National Statistics Office of Georgia, <https://shorturl.at/egntN>

## Recommendation

Political parties should do more to raise donations through events and campaigns. In such a case, parties are usually less reliant on a handful of key donors, and the risk of possible corrupt deals is also smaller.

### 2.2.1. Donations containing a high risk of political corruption

Political donations have always been a matter of great public interest in Georgia. The public often raises legitimate questions regarding the real individuals and entities behind these financial transactions and whether or not these donations are made as part of a corrupt deal.

Political corruption is a type of corruption that implies certain actions committed by political decision-makers. Political corruption occurs when politicians or government officials use their powers to pursue personal gain or other private interests.<sup>16</sup>

Political corruption can take many forms in political finance, including the cases where a donor receives certain benefits from the State in exchange for money donated to the ruling party. Anti-corruption mechanisms provided for by the Georgian legislation are quite weak in this regard and envisage only one restriction, specifically, a party donor cannot be a legal entity that in the previous calendar year or until the polling day of the election year has received more than 15% of its actual income from simplified public procurement contracts. This regulation can be easily circumvented, for example, in this way: instead of a company that has received a simplified public procurement contract, its owner or another affiliated person can donate to a political party. This could be one of the reasons why a violation of this regulation has never been detected by the SAO.

It is not easy to detect corruption and illegal schemes. Still, TI Georgia has long been trying to disclose as much information as possible on the donors of political parties and their business interests, as well as public procurement contracts awarded to their companies.

To detect these links more effectively, TI Georgia created a website [www.politicaldonations.ge](http://www.politicaldonations.ge), which brings together all donations made to political parties since 2011. What is more, the company affiliations of donors can also be viewed on the website.

Donations received by the ruling party are, naturally, more likely to be accompanied by particularly high risks of political corruption, because the authorities have the lever to make a deal with a potential donor in return for certain benefits. For this reason, in our research, we put a special emphasis on donations to the Georgian Dream – Democratic Georgia. With this purpose, we studied the donors to the ruling party who contributed money in 2022. In particular, we looked at how many of them were connected with companies that received certain benefits from public procurements during the same period.<sup>17</sup>

In 2022, the Georgian Dream received far less donation than in the election year of 2021 (2021 – GEL 20 m, 2022 – GEL 1 m); accordingly, the number of donors also decreased substantially – in 2021, the ruling party had 1,015 donors, and in 2022 – 28 donors (see all the donors of the Georgian Dream in 2022 in **Table 1**).

16 Political Corruption Topic Guide, Transparency International, 31.10.2014, <https://bit.ly/3LtSjNg>

17 For the purposes of this section, by the “same period”, we mean the period from 1 December 2021 through 31 January 2023 (14 months).

**Table 1. Donors of the Georgian Dream in 2022**

| <b>Donation date</b> | <b>Name, last name</b> | <b>Amount (GEL)</b> |
|----------------------|------------------------|---------------------|
| 26.01.2022           | Tamaz Tamazashvili     | 10,000              |
| 29.03.2022           | Guram Beridze          | 1,000               |
| 01.04.2022           | Zurab Dzagnidze        | 50,000              |
| 01.04.2022           | Irakli Shatakishvili   | 50,000              |
| 01.04.2022           | Kakhaber Mchedlishvili | 50,000              |
| 28.04.2022           | Lasha Bagrationi       | 50,000              |
| 29.04.2022           | Teona Bagrationi       | 50,000              |
| 29.04.2022           | Mukhrani Bagrationi    | 50,000              |
| 31.05.2022           | Giorgi Khutsishvili    | 50,000              |
| 07.06.2022           | Nugzar Dekanoidze      | 50,000              |
| 07.06.2022           | Ivane Parkosadze       | 50,000              |
| 08.07.2022           | Nino Sutidze           | 50,000              |
| 08.07.2022           | Noshrevan Namoradze    | 50,000              |
| 29.07.2022           | Zurab Gogua            | 30,000              |
| 29.07.2022           | Gocha Chikviladze      | 30,000              |
| 29.07.2022           | Nato Khaindrava        | 40,000              |
| 08.09.2022           | Otar Tsetskhladze      | 5,000               |
| 04.10.2022           | Manana Nadiradze       | 30,000              |
| 04.10.2022           | Davit Galuashvili      | 40,000              |
| 06.10.2022           | Givi Lebanidze         | 30,000              |
| 24.10.2022           | Sulkhan Bakuridze      | 30,000              |
| 27.10.2022           | Ednar Khimshiashvili   | 50,000              |
| 25.11.2022           | Joni Jincharadze       | 20,000              |
| 25.11.2022           | Marina Dekhtiarevi     | 20,000              |
| 08.12.2022           | Jemal Chkonia          | 20,000              |
| 08.12.2022           | Malkhaz Dumbadze       | 20,000              |
| 08.12.2022           | Lasha Baladze          | 60,000              |
| 14.12.2022           | Giorgi Chkonia         | 50,000              |

Only one company connected with the Georgian Dream's donors of 2022 won tenders. This company was **Gza LLC**, the owner of whose 100% stake, **Giorgi Chkonia**, and director, **Malkhaz Dumbadze**, donated **GEL 40,000** in total to the Georgian Dream, while the company **won 12 tenders with a total value of GEL 118 million during the same period**.

**Gza LLC** has won tenders worth GEL 245 million in total and obtained simplified procurement contracts with a value of up to GEL 10 million since 2011, while **Dumbadze** and **Chkonia** have donated GEL 220,000 in total to the ruling party in recent years.

During the same period, the donors of the Georgian Dream in 2022 have been awarded simplified procurement contracts worth GEL 86,000 in total, from which contracts worth GEL 82,000 were awarded to companies owned by **Giorgi Chkonia** – Chateau Kvirike and Batumi Central.

Chkonia's companies have received financing within the framework of various state programs, including **Enterprise Georgia** (GEL 153,066), **Preferential Agrocredit Project** (GEL 181,237), and **Co-financing of Processing and Storage Enterprises** (GEL 201,735).<sup>18</sup>

From the donations containing a high political risk, we should distinguish the donations of **Joni Jincharadze and Marina Dekhtiarevi** to the Georgian Dream (GEL 40,000 in total). Both donors are connected with the H Group Development company (the owners of the company are **citizens of the Russian Federation**), which is planning the construction of a residential complex on an area of 16,000 sq .m on a hill in the village of Salibauri near Batumi. It was at the time of donation that the Detailed Development Plan for the project was forwarded for approval to the Khelvachauri City Council, which **unanimously approved the document 17 days after the donations were made**.<sup>19</sup> TI Georgia and media outlets devoted a number of publications to this case, although the relevant state bodies have not responded.

### 2.2.2. Risks related to donating through other persons

Following good international practice, the Georgian legislation imposes ceilings on political donations. In this reality, there is a risk that other persons will be used to circumvent such limits for donating large sums of money to a party.

It is difficult to detect donations made through other people by bypassing the law, although the likelihood of such cases increases when we see that individuals affiliated with the same business group have donated to the same party on the same day or within a few days.

TI Georgia's reports on political finance have noted many times that, over the years, several major groups were formed among the ruling party's donors that contribute large sums of money to the Georgian Dream almost every year. **All such groups have a common characteristic that a large part of their members donate money to the ruling party on the same day or within a period of several days.**

Among such traditional groups, in 2022 one could notice individuals directly or indirectly connected with Bidzina Ivanishvili who have been steadily donating to the ruling party since 2011. In 2022, **7 individuals** connected with Ivanishvili contributed **GEL 250,000 in total** in favor of the Georgian Dream. The same individuals have donated **more than GEL 1.8 million** to the ruling party since 2011 (see **Table 2**).

---

18 *Political Donations Quarterly Newsletter No. 2*, TI Georgia, 28.02.2023, <https://shorturl.at/xyKPX>

19 See in detail: *Signs of corruption in a residential complex construction project owned by Russian citizens*, TI Georgia, 12.04.2023, <https://shorturl.at/otGN0>

**Table 2. Donors connected with Bidzina Ivanishvili**

| <b>Name, last name</b> | <b>Amount of donation (GEL)</b> | <b>Date of making donation in 2022</b> | <b>Sum of donations made in all years (GEL)</b> | <b>Connection</b>                                     |
|------------------------|---------------------------------|----------------------------------------|-------------------------------------------------|-------------------------------------------------------|
| Nugzar Dekanoidze      | 50,000                          | 7.06.2022                              | 140,000                                         | Director of football club of Sachkhere – Chikhura     |
| Nato Khaindrava        | 40,000                          | 29.07.2022                             | 402,600                                         | Director General of JSC Cartu Group                   |
| Gocha Chikviladze      | 30,000                          | 29.07.2022                             | 271,630                                         | Executive Director of JSC Cartu Group                 |
| Zurab Gogua            | 30,000                          | 29.07.2022                             | 263,000                                         | Deputy Director General of JSC Cartu Bank             |
| Givi Lebanidze         | 30,000                          | 6.10.2022                              | 241,800                                         | Deputy Director General of JSC Cartu Bank             |
| Davit Galuashvili      | 40,000                          | 4.10.2022                              | 305,429                                         | (Former)<br>Deputy Director General of JSC Cartu Bank |
| Manana Nadiradze       | 30,000                          | 4.10.2022                              | 224,270                                         | (Former) Director General of JSC Cartu Bank           |

Among the Georgian Dream's donors of 2022, there are also other small groups that are united by common business interests and, as a rule, donate large sums of money to the ruling party at the same time.

**Noshrevan Namoradze and his spouse, Nino Sutidze, donated GEL 100,000** in total to the Georgian Dream on the same day. Namoradze is a businessman close to the authorities; he is in construction business. His name is associated with physical assault on businessman Davit Kodua in 2014, when the court released him on bail. Namoradze is also associated with the preparation of a large territory on Mount Tabor in Tbilisi for privatization.<sup>20</sup>

On April 28 and 29, 2022, **Mukhran, Teona and Lasha Bagrationi** – who are, in various forms, connected with one another through Konkord LLC, Edelweis-2016 LLC, and Karavan Tbilisi LLC – donated GEL **150,000** in total to the Georgian Dream. They are also linked with shopping centers *Kalaqis Guli* and *Tergi* in Tbilisi. In recent years, this group donated GEL 360,000 to the ruling party.<sup>21</sup>

20 Why did the Tbilisi City Hall alienate a forested area in a cultural heritage protection zone?, Open Society Georgia Foundation, 29.03.2022, <https://bit.ly/42A33SK>

21 Political Donations Newsletter No. 1, TI Georgia, 16.11.2022, <https://shorturl.at/ioJUV>

**Zurab Dzagnidze and Irakli Shatakishvili donated** a total of **GEL 100,000** to the Georgian Dream on the same day. They are members of the Board of Governors of non-entrepreneurial (non-commercial) legal entity *Rustavelebi*. Since April 2022, Irakli Shatakishvili has been a majoritarian MP of the Georgian Dream from the Rustavi-Gardabani constituency. Furthermore, according to the information available to TI Georgia, Dzagnidze has close links with the business group that received pieces of real estate in the city of Rustavi on a long lease/with the right to build from the Rustavi municipality. In recent years, Dzagnidze and Shatakishvili have donated more than GEL 270,000 in total to the Georgian Dream. In addition, on the day when Shatakishvili and Dzagnidze made the donations, Kakhaber Mchedlishvili, who is the Corporate Director of the RMG company, contributed precisely the same amount (GEL 50,000) to the ruling party. This was not the first time that Dzagnidze, Shatakishvili, and Mchedlishvili had donated money to the Georgian Dream on the same day – they had also done so on May 25, 2020, when all three of them donated GEL 125,000 in total to the party.<sup>22</sup> **This also raises doubts that the real source of the donated money might have been the RMG company, not the direct donors.** Making a donation through other persons is prohibited by law.

### Recommendations

It is necessary that the Anti-Corruption Agency of the State Security Service study the fact of obtaining the permit for the construction planned on Salibauri hill by H Group Development by an allegedly corrupt method.

The Anti-Corruption Agency of the State Security Service should study the links between the donations made by the ruling party's donors and large public procurement contracts obtained by them, in order to rule out a possible corrupt deal.

## 2.3. BANK LOANS

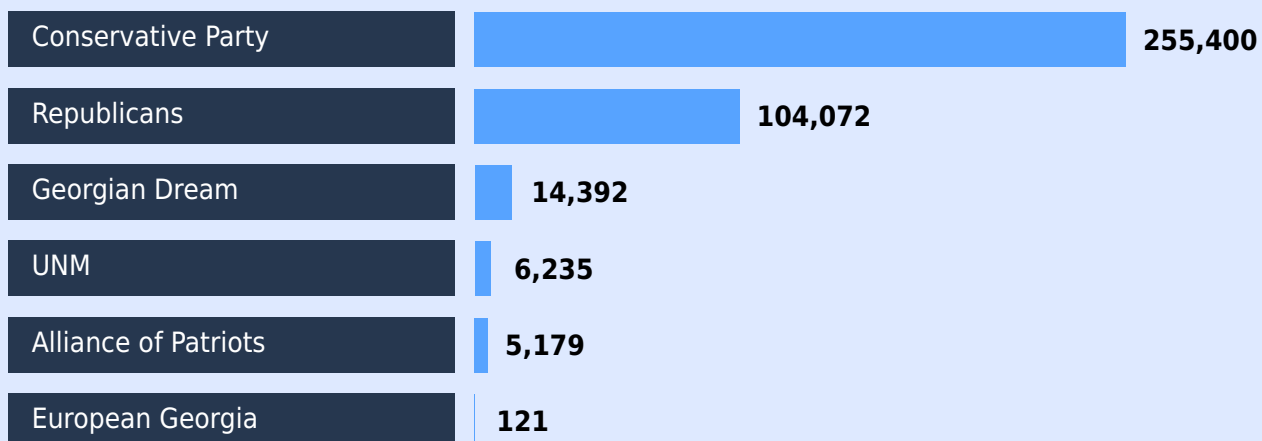
Two parties used bank loans in 2022. On April 19, the **European Georgia** party borrowed GEL 259,930 from Liberty Bank with a 14% interest rate for nine months (which it covered in December of the same year, according to the declaration). On July 29, the **Alliance of Patriots** received a mortgage loan of GEL 700,000 – with the collateral of real estate, for 18 months, and with a 16% interest rate – from Liberty Bank.

## 2.4. OTHER MONETARY REVENUES

The declaration form filled out by the parties includes the category of “other monetary revenues”. In 2022, the total revenue of this category for all parties was GEL 385,399, and it was received by six parties in total (see **Figure 7**). The declaration form does not provide a definition of this type of income, which often makes the origin of these funds opaque. Without a special form, specifying of the sources of such revenues depends on the goodwill of the parties, which is only displayed by a small part of the parties. The Republican Party of Georgia has indicated, on its initiative, that this is a revenue received from renting real estate, while the Conservative Party has indicated that the revenue was received from the sale of an office building.

22 Political Donations Newsletter No. 1, TI Georgia, 16.11.2022, <https://shorturl.at/ioJUV>

**Figure 7. Other monetary revenues received by political parties in 2022, GEL**



**Source:** Annual financial declarations submitted by political parties to the State Audit Office

### Recommendation

The State Audit Office should add a separate form to the annual financial declaration template where parties will be able to indicate the specific origin of the amount (if any) in the “other monetary revenues” category.

# VI. EXPENDITURES OF POLITICAL PARTIES

## 1. REGULATORY FRAMEWORK

According to the legislation, political parties are required to provide the SAO with detailed reports on their expenditure. The SAO, in its turn, is obligated to make this information public. The Organic Law on Political Associations of Citizens sets ceilings for political party expenditures: a total annual sum of all expenditures incurred by a political party cannot be more than **0.05%** of Georgia's Gross Domestic Product (GDP) for the previous year, although, as we noted in Section IV, this legislative change has been in force since December 2022, and during the reporting period, the ceiling of expenditures was **0.1% of the GDP**. This figure includes the expenses of a political party and other individuals/entities who have made payments in their support. Expenditures include expenses for financing campaigning and other events, salaries, business trips, and other activities.

Apart from setting limits on the total annual expenditures of a political party, the law also stipulates limitations on certain types of expenditures: fees for experts and consultants should not be more than 10% of the ceiling set for annual expenditures of political parties.

## 2. OVERVIEW OF EXPENDITURES OF POLITICAL PARTIES

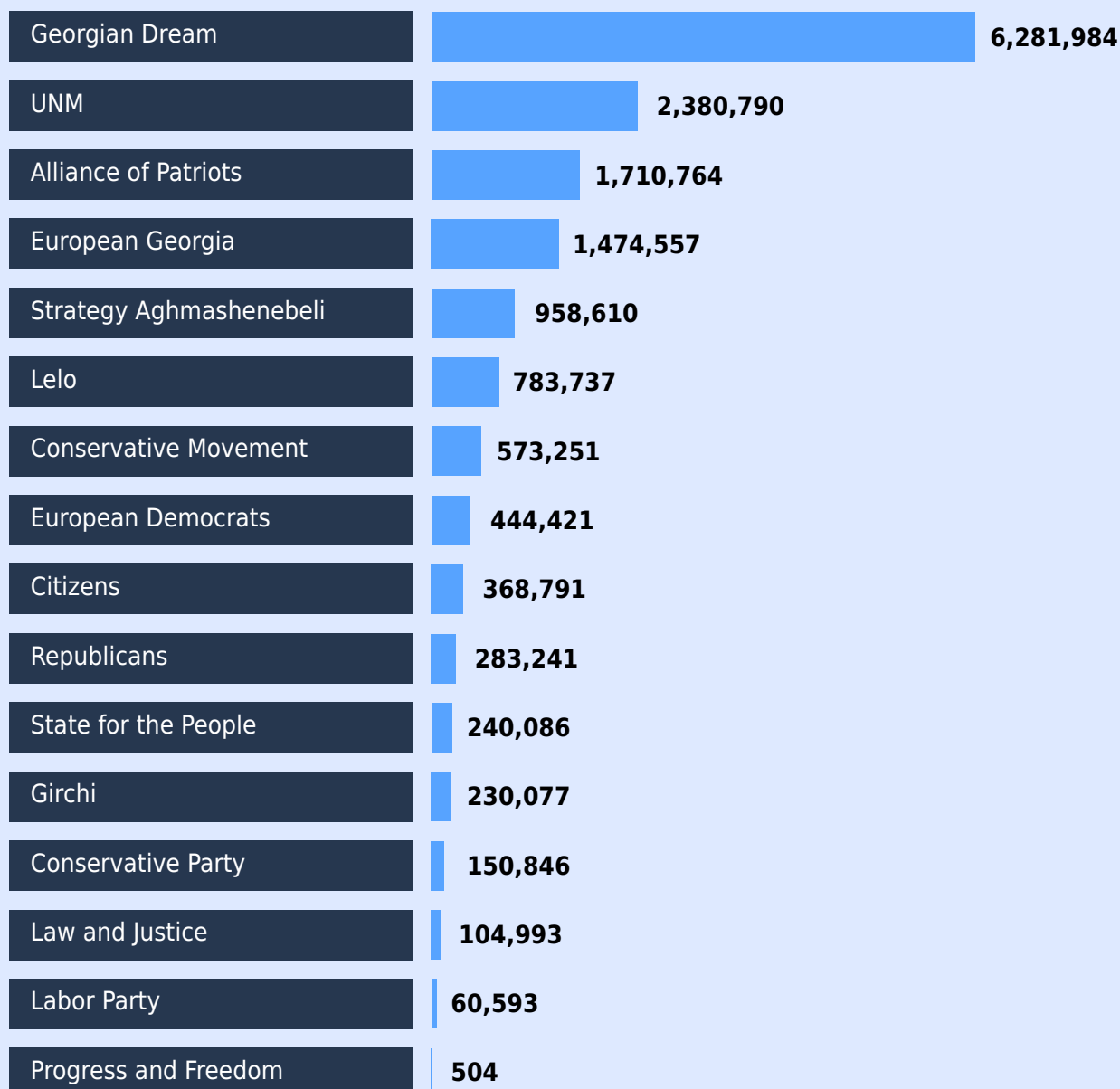
According to the annual declarations submitted by the parties to the SAO, the 16 political parties studied spend a total of GEL **16,047,245** in 2022, **39%** of which – GEL **6,281,984** – was spent by the ruling Georgian Dream – Democratic Georgia party. The UNM was second with GEL 2,380,790, and the Alliance of Patriots was third with GEL 1,710,764 (see **Figure 8**).

This data shows that, similarly to the revenues, the expenditures of the Georgian Dream – Democratic Georgia also considerably exceed those of all the other parties. As for the ceiling of expenditures allowed by law, by 2022 it was **GEL 60 million**.<sup>23</sup> For this reason, none of the parties exceeded this limit.

---

23 0.1% of Georgia's nominal GDP for 2021, <https://shorturl.at/qBNXY>

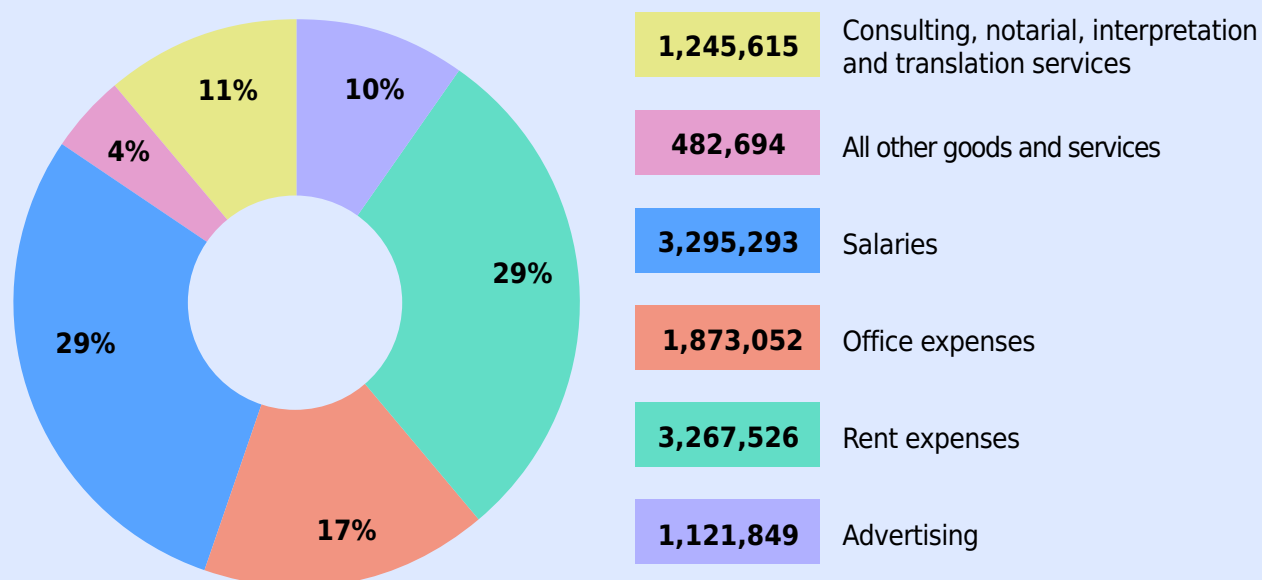
**Figure 8. Total expenditures of political parties in 2022**



**Source:** Annual financial declarations submitted by political parties to the State Audit Office

Unlike the election years, when political advertising accounted for a large part of the parties' expenditures, in 2022 the largest expenditures fell under the following categories: a) salaries, b) rent of immovable and movable property, c) office expenses, d) costs of notarial, consulting, interpretation and translation services, e) advertising (see **Figure 9**).

**Figure 9. Expenditures of political parties in 2022  
according to main categories, GEL, %**

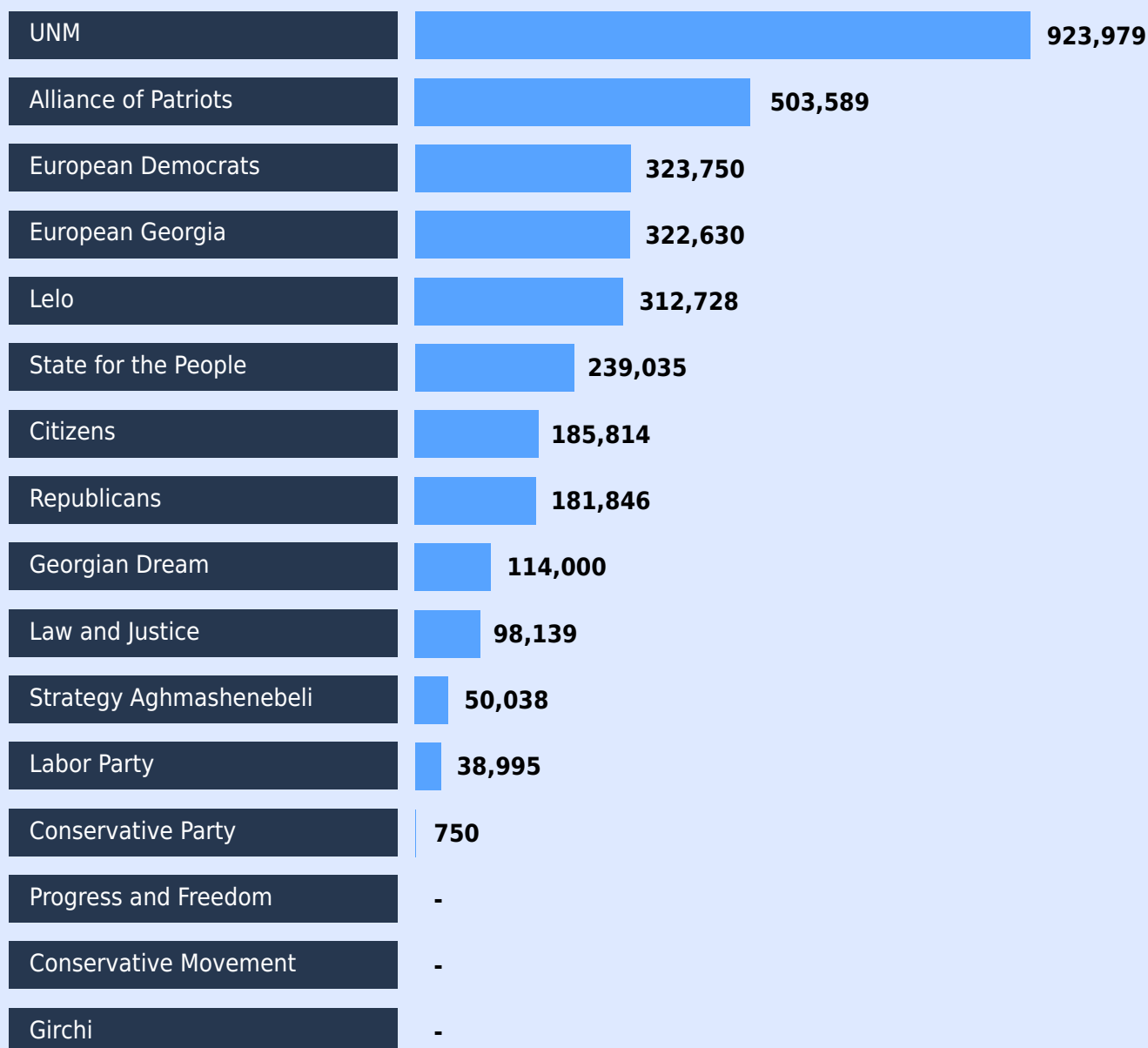


**Source:** Annual financial declarations submitted by political parties to the State Audit Office

## 2.1. SALARIES

The 16 political parties studied spent GEL **3,295,293** on salaries in 2022, which amounted to 29% of their total expenditures. This category includes fixed salaries, bonuses, and remuneration of non-staff employees, which, as a rule, also includes salaries paid to party coordinators and activists during the election period. The UNM, Alliance of Patriots, and European Democrats spent the largest sums from this category (see **Figure 10**).

**Figure 10. Expenditures of political parties on salaries in 2022, GEL**

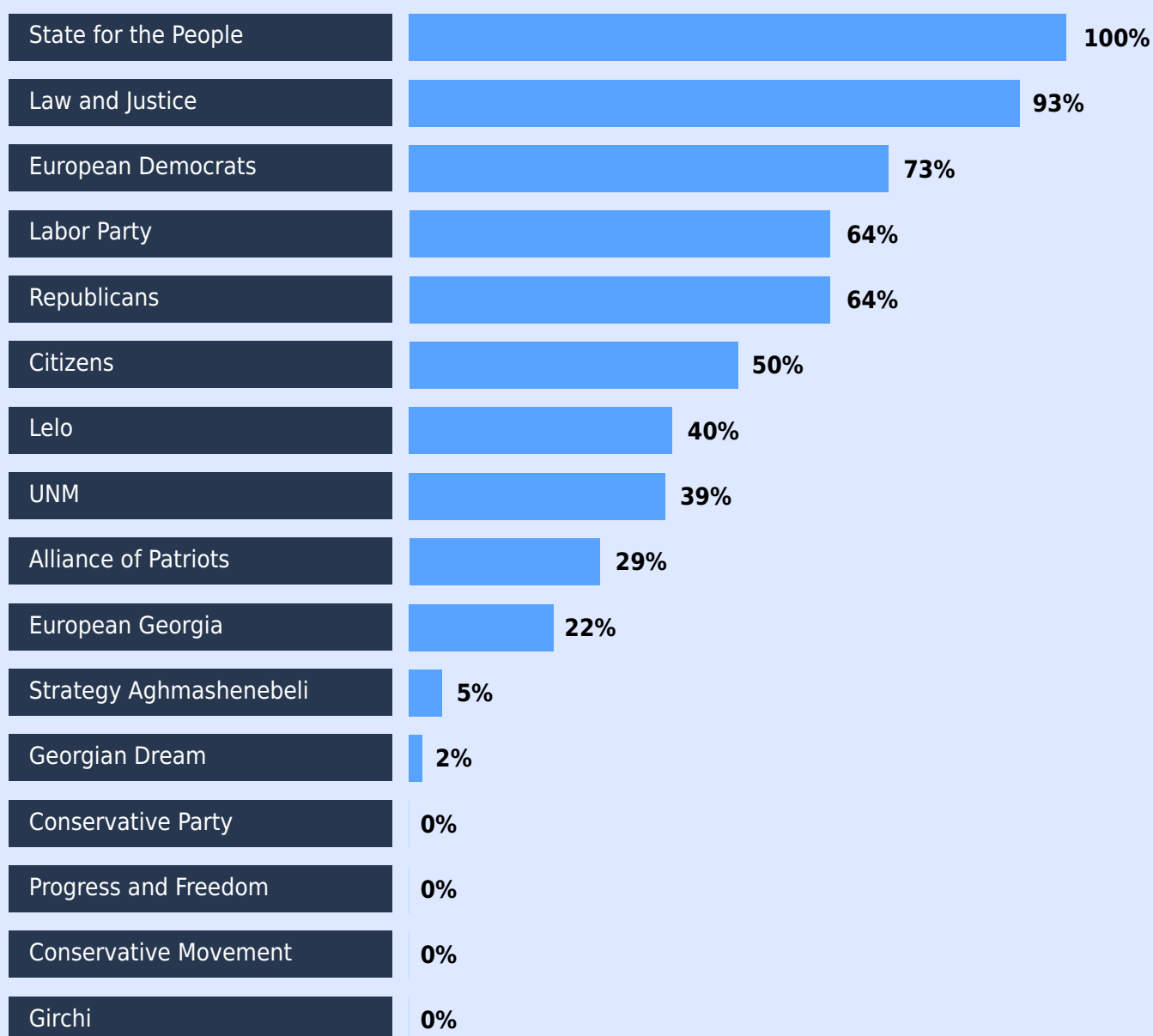


**Source:** Annual financial declarations submitted by political parties to the State Audit Office

Figure 11 shows the share of salaries in the parties' total expenditures. Interestingly, the ruling party's expenditures on salaries are small.<sup>24</sup> This was also true in 2021, when the ruling party spent up to GEL 26 million during the year, but salaries only amounted to 2% of its expenditures (GEL 506,493).

<sup>24</sup> For the purposes of comparison, in 2019, the Georgian Dream spent more than GEL 500,000 on salaries, which amounted to 10% of its total expenditures.

**Figure 11. The share of expenditures of political parties in their total expenditures in 2022, %**



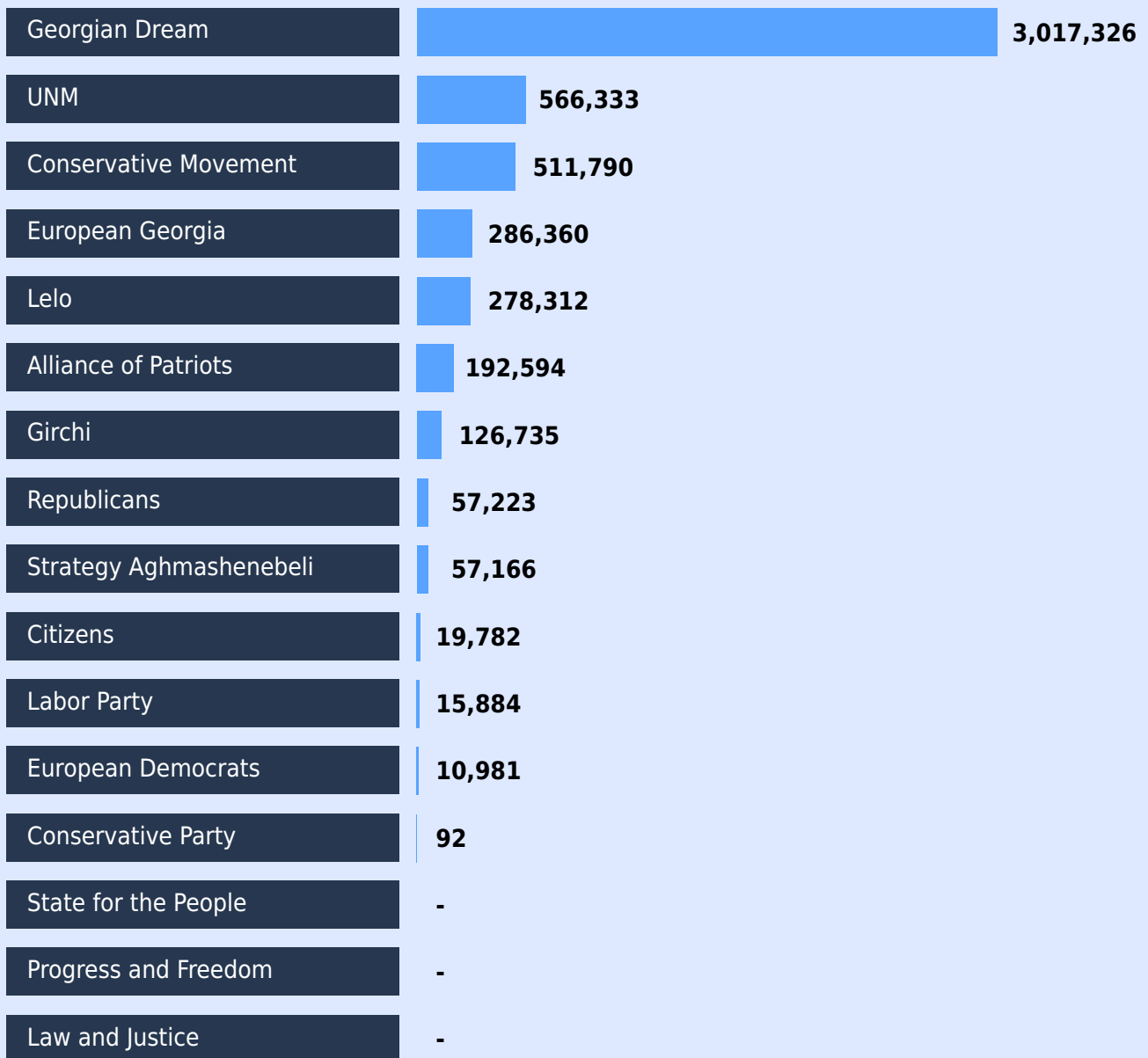
**Source:** Annual financial declarations submitted by political parties to the State Audit Office

Generally, political parties find it particularly easy to conceal the expenditures on salaries, as external monitoring on these expenditures is quite difficult. Accordingly, this category of expenditures is accompanied by particularly high risks of political corruption.

## 2.2. EXPENDITURES ON RENT, OFFICE AND ADVERTISING

Expenditures on advertising are traditionally low in election years. During this period, the parties mainly incur expenses related to the functioning of offices. After salaries, expenses on the rent of movable and immovable property are the largest category (29%) of the total expenditures. A 17% share is held by office expenses, which include expenses on stationary, office equipment, renovation of buildings, communications, and similar expenses. Figure 12 shows the parties' combined expenditures on the categories of office and rent.

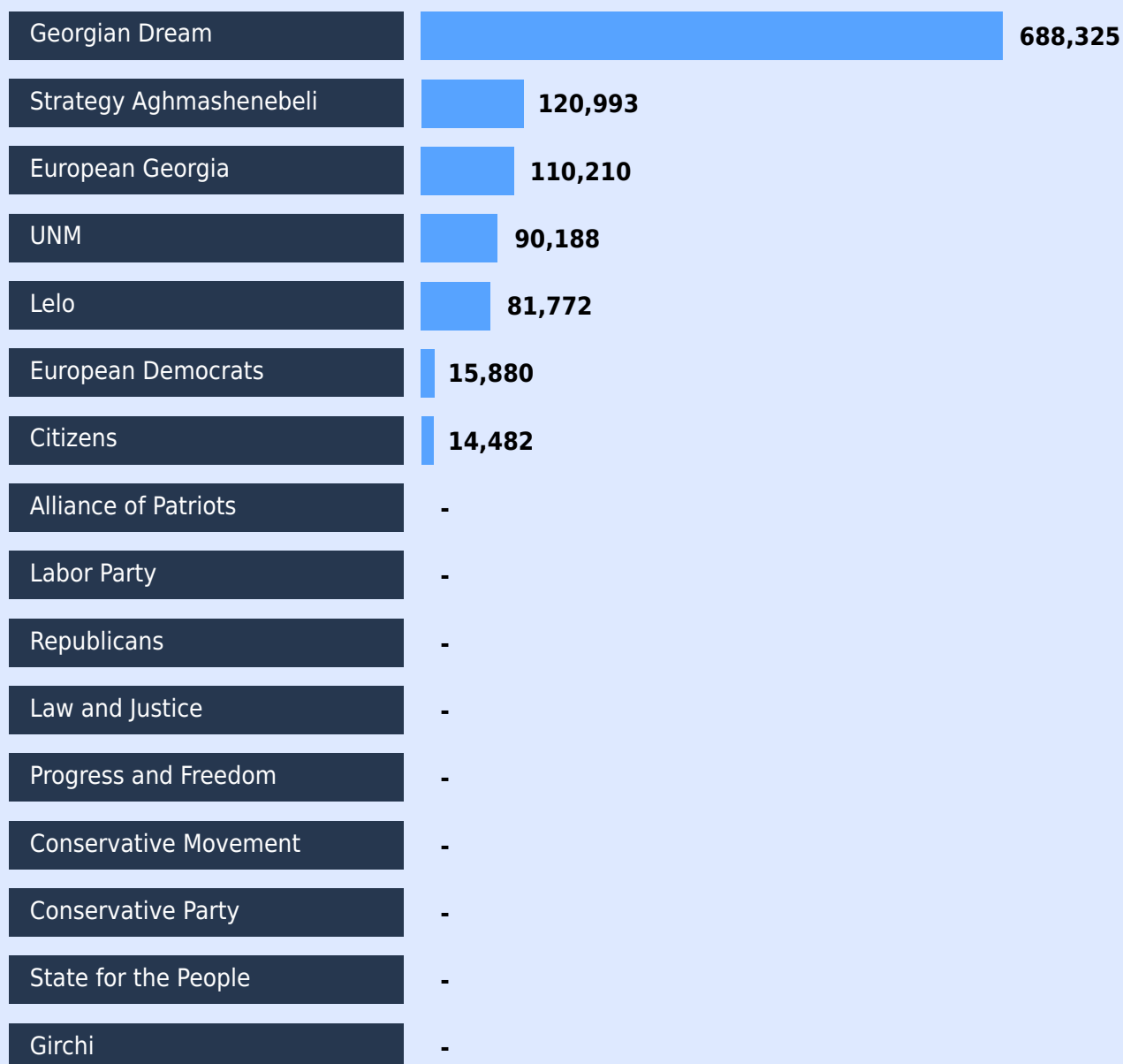
**Figure 12. Expenditures of political parties on office and rent in 2022, GEL**



**Source:** Annual financial declarations submitted by political parties to the State Audit Office

Five parties alone spent about GEL 1 million in total on advertising in 2022. Most of this amount – GEL 688,325 – was spent by the Georgian Dream (see **Figure 13**).

**Figure 13. Expenditures of political parties on advertising in 2022, GEL**



**Source:** Annual financial declarations submitted by political parties to the State Audit Office

## 2.3. OTHER EXPENDITURES

In this subsection, we will provide an overview of large expenditures of parties which were not included in the categories of the previous subsections. The total amount of such ungrouped expenditures for all parties equaled about GEL 4.5 million.

**Georgian Dream - Democratic Georgia** – According to the financial declaration, the party paid GEL 1 million in 2022 to cover a loan received from a commercial bank. The party had received the amount from Cartu Bank through a loan agreement in November 2021.<sup>25</sup> In addition, the party paid up to GEL 70,000 in loan service fees. The party also incurred considerable expenditures on means of transportation purchased for GEL 75,000.

<sup>25</sup> See *Georgia's Political Finance in 2021*, TI Georgia, 8.07.2022, p. 31, <https://shorturl.at/nqJT7>

**Alliance of Patriots** – According to the declaration, the party spent GEL 700,000 on construction, up to GEL 180,000 on covering a loan of a commercial bank, GEL 40,000 on bank loan service fees, and GEL 35,000 on purchasing means of transportation.

**European Georgia** – According to the declaration, the largest expenditure of the party was the coverage of two loans taken from a commercial bank (GEL 643,000), which the party had taken from Liberty Bank in the years 2021 and 2022.<sup>26</sup>

**UNM** – In the declaration, the party has registered an expenditure of about GEL 300,000 in the category of “various expenditures”, which is broken down in a special form. Most of this amount (GEL 287,000) was spent on covering various expenses and compensations imposed by the court.

**Citizens** – According to the declaration, the party spent up to GEL 73,000 on logistics services.

**Conservative Movement** – According to the declaration, the party incurred expenditures of GEL 46,000 from the category of social security.

---

26 See *Georgia's Political Finance in 2021*, TI Georgia, 8.07.2022, p. 31, <https://shorturl.at/nqJT7>

# VII. TRANSPARENCY AND OVERSIGHT OF POLITICAL FINANCE

## 1. REGULATORY FRAMEWORK

The requirement for political associations to prepare financial reports and their oversight are important preconditions for increasing the transparency of electoral processes and public confidence. At the same time, it is crucial that these reporting and follow-up processes allow for effective oversight but do not inadvertently create an unnecessary burden on political parties.

The Georgian legislation had granted the mandate to monitor the lawfulness and transparency of political finance to the SAO, although, as mentioned above, according to the legislative changes of 2022, from September 1, 2023, this mandate will be taken over by a new agency – the Anti-Corruption Bureau. We have discussed the positive and negative aspects of these changes in Section IV. The main question apparently relates to the political neutrality of the Bureau.

In the reporting period, oversight on political parties was carried out by the SAO. The applicable legislation provides for the requirement to submit both periodical reports and those related to specific electoral processes. Until February 1 each year, parties send financial declarations of the previous year to the SAO together with the conclusion of the auditor (audit firm). The financial declaration reflects the party's annual revenues and expenditures, as well as its assets and liabilities. Each declaration includes several report forms to be completed in accordance with Order No. 012036/21 of the Auditor General of August 5, 2021. In addition, the SAO has established forms for submitting information on donations and withdrawals from the account.

The law also provides access to declarations submitted by political parties. The SAO publishes financial declarations of parties on the website [www.monitoring.sao.ge](http://www.monitoring.sao.ge), where the list of donors is also public, including the full name and personal number. Declarations are available in the formats of Microsoft Excel and scanned PDF document.

Article 34<sup>2</sup> of the Organic Law on Political Associations of Citizens prescribes sanctions for various cases of violation of reporting procedures, when the authorized persons of the SAO draw up a protocol on an administrative offence and send it to the court for consideration:

- In the case of a prohibited donation, the law envisages a fine of double the amount and an obligation to transfer the received amount to the budget;
- In the case of violation of general requirements of the law, a fine of GEL 5,000 is envisaged;
- A fine of GEL 1,000 is imposed on individuals and GEL 2,000 – on legal entities if they fail to fulfill the obligation to provide the information required by the SAO and determined by the law.

## 2. SUPERVISORY ACTIVITIES OF THE STATE AUDIT OFFICE

The Register of Cases of Administrative Offences of 2022 includes information on offences identified by the Service of Financial Monitoring of Political Parties of the SAO and response by the Service during 2022.<sup>27</sup>

According to the Register, during the reporting period, the Service established an administrative offence by only one party – the **Conservative Movement** (Alt-Info). Specifically, the

---

27 See the link: <https://bit.ly/399MHKU>

administrative proceedings revealed that the party had concealed an in-kind donation and filled out the annual declaration incorrectly, which resulted in the imposition of a fine of double the amount of the donation (GEL 144,988) on the Conservative Movement (Alt-Info) and transfer of the contribution (GEL 72,494) to the State Budget.

During 2022, we requested information on 175 persons from the Revenue Service in order to study the lawfulness of donations. Of these, 83 persons were donors of the Conservative Movement. From these 83 persons, we requested additional information on 69 persons from commercial banks.

### **Recommendation**

The Anti-Corruption Bureau should be equipped with relevant investigative powers. To ensure political neutrality, opposition parties should also take part in the appointment of the head of the Bureau.